



AMERICAN CHAMBER OF COMMERCE IN BULGARIA

AmCham White Paper on Economic Growth and Job Creation April 2013

This White Paper provides the basic principles AmCham believes will help to stimulate economic growth and increase competitiveness of the Bulgarian economy. Core challenges facing the next Government are slow economic growth and low productivity (inefficiency), which are both negatively impacted by an aging and shrinking work force. These challenges are not unique to Bulgaria. However, Bulgaria needs to do more and do it urgently to address these problems in order to ensure a stable and satisfactory quality of life for the current and next generation. Perhaps, most important, Government action is needed to ensure business about the intention to maintain a welcoming and stable political, economic and regulatory environment.

Given the above, AmCham identified core recommendations as follows:

1. Maintain financial stability;
2. Focus on economic growth and introduce measures to stimulate domestic and foreign investment;
3. Use tax policies to stimulate job creation;
4. Ensure legislative and regulatory transparency and predictability;
5. Stimulate education, entrepreneurship and innovation;
6. Ensure absorption of EU funds and international cooperation;
7. Encourage expanded lending by the banking sector;

1. Maintaining financial stability/improved fiscal process:

- The Currency Board arrangement is a key component of investor confidence and should be maintained and supported by appropriate fiscal and monetary policies, such as maintaining mandated levels of fiscal and monetary reserves.
- Continue negotiations with the EU with expectation that Bulgaria will eventually enter the Euro currency zone.
- Seek efficient use of available budget resources to stimulate growth and job creation, and support highly vulnerable population.
- Increase transparency of fiscal processes. Aim for 100% e-government in fiscal transactions.
- Accelerate VAT refund process to improve liquidity for businesses.

2. Focus on economic growth / introduction of measures to stimulate domestic and foreign investment:

- Reform and support a functioning one-stop-shop service at InvestBulgaria Agency:
 - Designate InvestBG Agency as a cabinet level Agency.
 - InvestBG Agency should be ombudsman to ensure Government meets legal and regulatory obligations to business.

- Centralise in InvestBG Agency incentive programmes which allow better utilization of available Government and EU programmes.
- Provide targeted incentives to promote investment.
 - Incentives should be linked to regional, environmental or labor force objectives.
 - Government should establish long-term targets for minimum job creation.
 - Incentives used also for purchases of machinery and equipment to stimulate entrance of investors in labor-intensive industry.
 - Incentives also could target R&D and hi-tech industries through, for example, tax deduction or accelerated depreciation of R&D and training costs.
- Ensure sufficient infrastructure around industrial parks and economic zones. Complete digitalization of the real estate and cadaster registries and create cadastral maps for the whole country.
- Accelerate development and implementation of e-government and related services.

3. Using tax policies and procedures to stimulate job creation:

- Enhance capacity of the "Large Investor Taxpayer Unit" with specialized and trained staff to oversee tax affairs for investments above a certain limit.
- Retention of flat 10% tax on income of individuals and corporations.
- Implement a procedure allowing taxpayers to obtain binding rulings from revenue authorities.
- Support voluntary disclosure of unintentional errors on previously submitted tax returns.
- Extend the time limits for filing appeals.

4. Legislative and Regulatory Transparency and Predictability:

- Enforce the Law on Regulatory Impact Assessment.
 - Endeavor to avoid negative impacts of new laws on business.
 - Introduce minimum statutory period after introducing amendments to laws before they become effective.
- Ensure conformity of public procurement processes.
 - Ensure a strict schedule and transparency in the process of awarding procurements and utilizing EU funds, including to prevent setting restrictive terms and conditions.
 - Consider mandatory training by EU and other experts for individuals involved in procurement procedures.
- Speed up implementation of secure electronic public procurement.

5. Supporting Education, Entrepreneurship and Innovation:

Bulgaria's economic growth depends on ability to support entrepreneurs and disseminate knowledge and skills needed to create innovative companies.

- Support businesses working with educational institutions, for example by incentivizing internships by students in practical business situations.
- Work with businesses and business chambers to introduce educational programs/curricula that serve business expectations.
- Create a Government-Business Independent Agency to promote and assist entrepreneurs and start-ups.

- Increase salaries of teachers to above average in public sector.
- Finance educational institutions based on:
 - success of students to pass internationally recognized tests
 - success in career placement of students in their area of study
- Expand foreign language and computer training in both high school and university curricula.
- Promote CSR initiatives that encourage and assist entrepreneurships and start-ups.

6. Increasing absorption of EU funds and International Cooperation:

Although the pace of absorption of EU funds has increased, Government can cooperate more fully with international organizations:

- Consider fiscal advice and support from IMF and World Bank as has been done by other EU countries during the crisis, such as Poland.
- Utilize World Bank, EBRD and EIB for key infrastructure, including:
 - Strategic support for key state owned companies which require significant restructuring.
- Ensure leveraging of grant assistance. EU funds, and other sources, should be tied to key reforms and co-financing from the private sector.
 - Utilise public private partnership to develop successful infrastructure.
- Develop and implement a single national plan for promoting energy efficiency investments linked to available grant programmes.

7. Encouraging expanded lending by the banking sector:

- Involve commercial banks in co-financing mechanisms to improve absorption of EU funds.
- Consider creating incentives for lending to key sectors of the economy.
- Establish a centralized credit bureau to help reduce the credit risk.
- Expand use of secure electronic mechanisms to ease financial transactions.